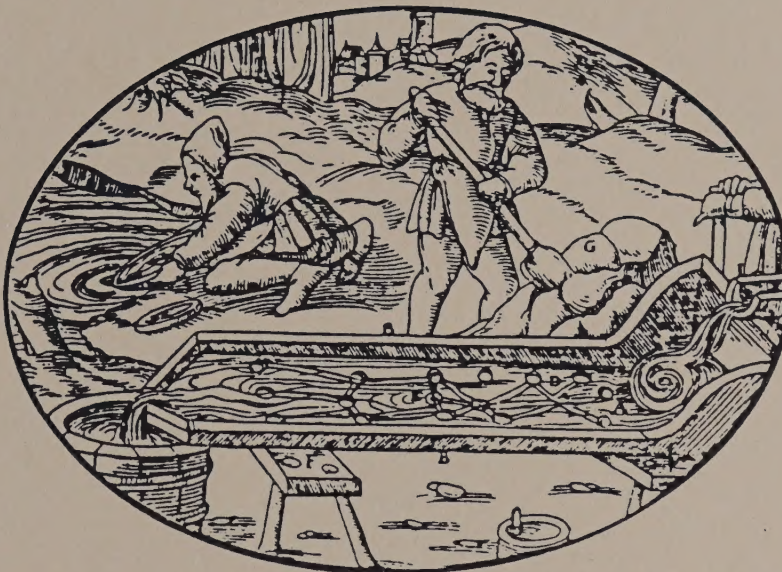


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Goldmark Minerals Ltd.

Annual Report 1985

C O R P O R A T E I N F O R M A T I O N

Board of Directors:

D. Harvey Bickell
Calgary, Alberta

Robert W. Lamond
Calgary, Alberta

Charles A. Teare
Calgary, Alberta

Georg R. Nikel
Calgary, Alberta

Glen A. Phillips
Calgary, Alberta

Officers:

D. Harvey Bickell - President
and Chief Executive Officer

Allan R. Twa - Corporate
Secretary

Charles A. Teare - Assistant
Treasurer

Head Office:

#801, 610 - 8th Avenue S.W.
Calgary, Alberta T2P 1G5

Field Office:

P.O. Box 529
Dawson City, Yukon Y0B 1G0

Legal Counsel:

Burnet, Duckworth & Palmer
32nd Floor, Esso Plaza, East Tower
425 - 1st Street S.W.
Calgary, Alberta T2P 3L8

Auditors:

Thorne Riddell
Suite 1200, Bow Valley Square 2
205 - 5th Avenue S.W.
Calgary, Alberta T2P 2W4

Registrar and Transfer Agent:

The Canada Trust Company
505 - 3rd Street S.W.
Calgary, Alberta T2P 3E6

The Canada Trust Company
Vancouver, British Columbia

Cover Illustration:

The cover illustration, showing
medieval mining for alluvial metals,
is taken from Book VIII of Georgius
Agricola's De Re Metallica, first
published in 1556. Letters identify
tools as employed at that time.

ANNUAL MEETING

June 17, 1986 - 2:00 p.m.
Esso Plaza, East Tower
32nd Floor, 425 - 1st Street S.W.
Calgary, Alberta, Canada

GOLDMARK MINERALS LTD.

REPORT TO THE SHAREHOLDERS

This report for the year ended December 31, 1985, is presented on behalf of the board of directors of Goldmark Minerals Ltd..

Due to the persistent low price of gold, mining operations were not undertaken on the Company's Thistle Creek, Yukon property and were suspended at the Matson Creek, Yukon mine in August 1985. The Company continues to maintain a large placer gold mining claim inventory on Thistle Creek as well as an extensive array of heavy equipment and other assets.

FINANCIAL

For the year ended December 31, 1985, the Company experienced a loss of \$564,769 or \$0.11 per share, compared with a loss of \$102,264 or \$0.02 per share for the previous year. Of this loss, \$417,482 or \$0.08 per share results from a write-off of undepreciated mineral property and deferred development costs associated with the termination of mining operations on Matson Creek.

While 1985 expenses were reduced to \$167,545 from \$427,171 in 1984, revenue for the period declined to \$50,159 from \$415,057 a year earlier. This is a result of the 1985 program being largely explorative in nature, in an attempt to determine if there was any significant long-term potential for the Matson Creek claims.

Working capital at December 31, 1985, stood at \$46,091, as compared with \$135,030 a year earlier.

MINING AND EXPLORATION ACTIVITIES

Mining activities in 1985 were limited to the sluicing of a very small quantity of gold-bearing gravels on Matson Creek which had remained unfrozen in the fall of 1984.

The main thrust of the 1985 operations on Matson Creek was the testing of various gravel deposits by core drilling, bulldozer trenching and "monitoring" using high pressure water canons. These projects commenced in early April 1985 and were all completed in the first week of August that year. Together these tests revealed that the gold distribution in the gravels along the valley bottom were unusually discontinuous. This project also tested, for the first time, the uppermost of several deeply buried terraces along the valley wall. Rather than containing a majority of the placer gold particles, this former valley bottom was found to be essentially barren.

With this unique knowledge of the effects of intraglacial period erosional phenom-

enon on placer gold distribution, and an excellent inventory of exploration equipment, Goldmark's management hopes to be in a position to conduct tests at a number of Klondike creeks where the main gravel deposits remain untested.

OTHER CORPORATE MATTERS

Goldmark's management, feeling that the gold-rich deposits located and mined in previous years on Matson Creek were isolated events, negotiated a reduced minimum royalty payment for 1985 and a termination of future such obligations.

At Thistle Creek, where the mining costs are in the order of \$300US per ounce, Management successfully lobbied the Federal government into reversing a long-standing interpretation of the laws concerning work requirements. As a result, the Company is exempt from having to conduct further work on these claims until late 1987.

For 1986, Management hopes to build up the Company's working capital while retaining sufficient equipment to be able to conduct a small but effective exploration program on a number of prospective Yukon creeks. Between the Company and its joint venture partners, enough mining equipment will be retained that a commercial scale mining operation could be mounted on short notice should firmer gold prices prevail.

Presented on behalf of the Board of Directors

D. Harvey Bickell, President

April 30, 1986

KMG Thorne Riddell

Chartered Accountants

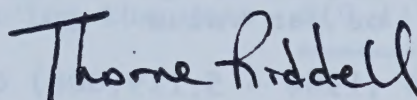
AUDITORS' REPORT

To the Shareholders of
Goldmark Minerals Ltd.

We have examined the balance sheet of Goldmark Minerals Ltd. as at December 31, 1985 and the statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
May 5, 1986



Chartered Accountants

GOLDMARK MINERALS LTD.
BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS		1985	1984
CURRENT ASSETS			
Cash and term deposits		\$ 68,702	\$ 87,407
Accounts receivable		7,536	47,311
Prepaid expenses		2,591	4,698
Current portion of shareholder loans		-	19,071
Mineral inventories		-	4,156
Due from joint venture partners		-	17,677
		<u>78,829</u>	<u>180,320</u>
SHAREHOLDER LOANS (note 2)		61,285	53,787
MINERAL PROPERTIES AND EQUIPMENT (note 3)		<u>261,168</u>	<u>744,496</u>
		<u>\$401,282</u>	<u>\$ 978,603</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		<u>\$ 32,738</u>	<u>\$ 45,290</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 5)			
Authorized			
10,000,000	First preference shares with a par value of \$10 each, issuable in series		
10,000,000	Second preference shares with a par value of \$10 each, issuable in series		
30,000,000	Common shares without nominal or par value		
Issued			
5,119,006	(1984 - 5,119,006) Common shares	890,277	3,062,958
CONTRIBUTED SURPLUS		43,036	43,036
DEFICIT		(564,769)	(2,172,681)
		<u>368,544</u>	<u>933,313</u>
		<u>\$401,282</u>	<u>\$ 978,603</u>

Approved by the Board

Director

[Signature]

Director

[Signature]

GOLDMARK MINERALS LTD.
STATEMENT OF EARNINGS AND DEFICIT
YEAR ENDED DECEMBER 31, 1985

	<u>1985</u>	<u>1984</u>
Revenue		
Gold sales, net of royalties	\$ 19,468	\$ 355,765
Equipment rentals	19,024	35,106
Management fees	4,583	18,524
Interest	7,084	5,662
	<u>50,159</u>	<u>415,057</u>
Expenses		
Operating	126,594	356,387
General and administrative	40,799	69,533
Interest on capital leases	152	1,251
	<u>167,545</u>	<u>427,171</u>
Funds applied to operations	<u>117,386</u>	<u>12,114</u>
Charges not requiring funds		
Gain on sale of property and equipment	(4,643)	(4,812)
Depreciation, depletion and amortization	34,544	107,076
Write-off of mining claims and deferred expenditures	417,482	-
	<u>447,383</u>	<u>102,264</u>
LOSS FOR THE YEAR	564,769	114,378
DEFICIT AT BEGINNING OF YEAR	2,172,681	2,058,303
Authorized reduction in share capital applied to deficit	<u>(2,172,681)</u>	<u>-</u>
DEFICIT AT END OF YEAR	<u>\$ 564,769</u>	<u>\$2,172,681</u>
LOSS PER SHARE, based on the weighted average number of shares outstanding during the year	<u>\$(0.11)</u>	<u>\$(0.02)</u>

GOLDMARK MINERALS LTD.
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1985

	<u>1985</u>	<u>1984</u>
WORKING CAPITAL DERIVED FROM		
Disposition of property and equipment	\$ 48,800	\$ 5,238
Repayment of shareholder loans	11,571	19,071
Issue of common shares	-	136,571
	<u>60,371</u>	<u>160,880</u>
WORKING CAPITAL APPLIED TO		
Operations	117,386	12,114
Mineral properties and equipment	12,855	30,039
Reclassification of shareholder loans	19,069	-
	<u>149,310</u>	<u>42,153</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(88,939)	118,727
WORKING CAPITAL AT BEGINNING OF YEAR	<u>135,030</u>	<u>16,303</u>
WORKING CAPITAL AT END OF YEAR	<u><u>\$ 46,091</u></u>	<u><u>\$135,030</u></u>

GOLDMARK MINERALS LTD.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES

(a) Mineral Properties

All costs of mineral leases and claims including exploration and development expenditures related to such properties are capitalized, as incurred, by area of interest. The ultimate recovery of these expenditures is dependent on discovering commercially viable reserves. Depletion and amortization of such expenditures is provided on the unit-of-production method at such time as, and if, commercial production commences from an area of interest.

Funds generated from mineral production prior to the commencement of commercial production are deducted from expenditures incurred on the properties in the development period.

Net costs accumulated on abandoned or surrendered mineral leases and claims are charged to earnings at such time as the properties are deemed to be uneconomic.

(b) Equipment

Mining equipment, vehicles, a barge, equipment under capital leases and other fixed assets are depreciated, on a straight-line basis, over their estimated economic lives which range from two to ten years.

(c) Joint Venture Operations

All of the Company's exploration and development activities are conducted jointly with others and accordingly, the accounts reflect only the Company's proportionate interest in such activities.

(d) Continuance

On July 11, 1985, the Company was continued under the Business Corporations Act (Alberta).

2. SHAREHOLDER LOANS

The shareholder loans were made to directors of the Company (one of whom is also an officer), are non-interest bearing and are repayable as follows:

1987 -	\$38,142
1988 -	11,571
1989 -	<u>11,572</u>
	<u>\$61,285</u>

GOLDMARK MINERALS LTD.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 1985

2. SHAREHOLDER LOANS (Continued)

Subsequent to December 31, 1985, the directors of the Company agreed to defer the repayment of the amounts due in 1985 and 1986, until on or after January 1, 1987 and accordingly these amounts have been reclassified as non-current shareholder loans.

3. MINERAL PROPERTIES AND EQUIPMENT

	1985			1984
	Cost	Accumulated Depreciation, Depletion and Amortization	Net	Net
Mineral leases and claims	\$ 208	\$ 12	\$ 196	\$197,562
Deferred expenditures	187,006	31,210	155,796	369,891
	<u>187,214</u>	<u>31,222</u>	<u>155,992</u>	<u>567,453</u>
Mining equipment	685,846	632,126	53,720	75,472
Vehicles	29,849	29,849	-	-
Barge	98,598	98,598	-	3,907
Other	57,637	6,181	51,456	97,664
	<u>\$1,059,144</u>	<u>\$797,976</u>	<u>\$261,168</u>	<u>\$744,496</u>

4. INCOME TAXES

At December 31, 1985 the Company had, subject to confirmation by tax authorities, exploration and development costs and undepreciated capital costs of approximately \$2,063,000. This amount exceeds related amounts reflected in the financial statements by \$1,798,000 and is deductible at varying rates from certain future income otherwise taxable.

The Company also had tax loss carry-forwards which will expire as follows:

1986 -	\$ 625,000
1987 -	539,000
1990 -	19,000
1991 -	8,000
1992 -	<u>108,000</u>
	<u>\$1,299,000</u>

GOLDMARK MINERALS LTD.
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 1985

5. CAPITAL STOCK

(a) Authorized

On April 26, 1986 the Shareholders of the Company adopted a Special Resolution approving the following amendments to the authorized share capital:

- (i) An increase in the number of authorized common shares from 10 million to 30 million;
- (ii) The creation of 10 million First Preference Shares with par value of \$10 per share;
- (iii) The creation of 10 million Second Preference Shares with par value of \$10 per share.

(b) Issued

Changes in the capital stock of the Company during the year were as follows:

	<u>Number of Shares</u>	<u>Consideration</u>
Balance, December 31, 1984	5,119,006	\$3,062,958
Authorized reduction in share capital applied to deficit (i)	<u>-</u>	<u>(2,172,681)</u>
Balance, December 31, 1985	<u>5,119,006</u>	<u>\$ 890,277</u>

- (i) Special Resolution of the Shareholders of the Company pursuant to the Companies Act (Alberta).

6. RELATED PARTY TRANSACTIONS

During the year the Company entered into a leasing agreement with a company owned by a director and officer of the Company. The leasing agreement was for the rental of an airplane and charges for the year ended December 31, 1985 amounted to approximately \$6,222.

7. REMUNERATION TO DIRECTORS AND OFFICERS

During 1985 the Company did not pay any remuneration to its directors in their capacity as directors and paid \$64,900 (1984 - \$95,800) to its five highest paid employees and officers.

